

**STANLEY RURAL AMBULANCE SERVICE DISTRICT
STANLEY, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Stanley Rural Ambulance Service District
Stanley, North Dakota

Report on the Financial Statements

We have audited the accompanying cash basis financial statements of the business-type activities of Stanley Rural Ambulance Service District, as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise Stanley Rural Ambulance Service District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the business-type activities of Stanley Rural Ambulance Service District as of December 31, 2016 and 2015 and the respective changes in the cash basis financial position for the years then ended in accordance with the cash basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted the management discussion and analysis that the cash basis of accounting principles requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by the missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 2017 on our consideration of the Stanley Rural Ambulance Service District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



BRADY, MARTZ & ASSOCIATES, P.C.
Minot, North Dakota

August 15, 2017

STANLEY RURAL AMBULANCE SERVICE DISTRICT
STATEMENTS OF NET POSITION – CASH BASIS
DECEMBER 31, 2016 AND 2015

	2016	2015
ASSETS		
Cash and cash equivalents	\$ 690,939	\$ 759,162
Total assets	690,939	759,162
 NET POSITION		
Unrestricted	690,939	759,162
Total net position	\$ 690,939	\$ 759,162

SEE NOTES TO THE FINANCIAL STATEMENTS

STANLEY RURAL AMBULANCE SERVICE DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION – CASH BASIS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Operating revenue		
Taxes	\$ 255,460	\$ 248,600
Charges for services	252,680	315,204
Contributions and donations	119,815	10,081
Federal and state grants	<u>66,329</u>	<u>17,072</u>
Total operating revenue	<u>694,284</u>	<u>590,957</u>
Operating expenses		
Contract labor	438,055	353,688
Construction costs	213,414	103,026
Vehicle expenditures	11,415	49,553
Ambulance supplies	37,471	57,916
Equipment purchases and repairs	17,464	17,972
Collections and billing	6,691	10,109
Professional fees	7,750	-
Office supplies	5,511	1,336
Education expenditures	592	3,060
Insurance	3,798	3,222
Rent	3,890	-
Meals	1,549	635
Travel	249	496
Advertising	76	38
Utilities	9,705	9,727
Miscellaneous	<u>5,351</u>	<u>2,698</u>
Total operating expenses	<u>762,981</u>	<u>613,476</u>
Operating income (loss)	<u>(68,697)</u>	<u>(22,519)</u>
Non-operating revenue (expenses)		
Interest Income	<u>474</u>	<u>1,697</u>
CHANGE IN NET POSITION	(68,223)	(20,822)
NET POSITION - JANUARY 1	<u>759,162</u>	<u>779,984</u>
NET POSITION - DECEMBER 31	<u>\$ 690,939</u>	<u>\$ 759,162</u>

SEE NOTES TO THE FINANCIAL STATEMENTS

STANLEY RURAL AMBULANCE SERVICE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies of Stanley Rural Ambulance Service District is presented to assist in understanding the District's financial statements.

The District reports as a business-type activity, as defined by the Governmental Accounting Standards Board (GASB). Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

Nature of operations

The Stanley Rural Ambulance Service District (the District) operates under the North Dakota Department of Emergency Health Services and was established as a rural ambulance district under North Dakota Century Code §11-28.3. The District is composed of trained members whose purpose is to render routine or emergency ambulance service to the area. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Reporting entity

For financial reporting purposes the Stanley Rural Ambulance Service District, has included all funds. The District has considered all potential component units for which the District is financially accountable and other organizations for which the nature and significance of their relationships with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. This criteria includes appointing a voting majority of an organization's governing body and (1) the ability of the Stanley Rural Ambulance Service District to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Stanley Rural Ambulance Service District. Based on these criteria, there are no component units to be included within the Stanley Rural Ambulance Service District as a reporting entity.

Basis of accounting

The basis of accounting determines "when" transactions are recorded regardless of the measurement focus applied. The financial statements are presented using the cash basis of accounting. This basis recognizes assets, liabilities, net position/fund equity, revenues, and expenditures/expenses when they result from cash transactions. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

STANLEY RURAL AMBULANCE SERVICE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2016 AND 2015

Business-type activities distinguish operating from non-operating revenues and expenses. Operating revenues and expenses are those that generally result from providing services. It also includes all revenues and expenses not related to capital and related financing, noncapital financing, or investing activities. Interest income is reported as non-operating revenue. All expenses related to operating the District are reported as operating expenses. Interest expense and financing costs are reported as non-operating.

Budgets and budgetary accounting

Budgets are adopted on a basis consistent with the cash basis of accounting. Annual appropriated budgets are adopted for the general fund. All annual appropriations lapse at year end.

Each year, the budget is due by the end of June. Budgeted amounts are based off of the previous year's revenues and expenditures in addition to projections and expenditures incurred during the first 5 months of the current year.

Cash and cash equivalents

Cash consists of checking accounts, savings accounts, and certificates of deposit.

Net position

Net position represents the difference between (a) assets and (b) liabilities in the District's financial statements. Restricted Net Position consists of restricted assets reduced by liabilities related to those assets. Unrestricted Net Position is the net amount of assets and liabilities that are not included in the determination of net investment in capital assets or the restricted component of net position.

Net Position Flow Assumption

Sometimes, the government will fund capital outlays for particular purposes for both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

NOTE 2 – CUSTODIAL CREDIT RISK

The District maintains cash deposits at various financial institutions. The amounts on deposit were insured by the FDIC up to \$250,000 per financial institution. At December 31, 2016, the District had approximately \$412,000 in excess of the FDIC limit on deposit. The entire amount in excess of the FDIC depository insurance was covered by pledged securities at December 31, 2016.

STANLEY RURAL AMBULANCE SERVICE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2016 AND 2015

NOTE 3 – RISK MANAGEMENT

The Stanley Rural Ambulance Service District is exposed to various risks of loss related to torts, theft of, damages to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The District pays an annual premium to BBH Insurance for its general liability insurance, auto insurance, inland marine insurance coverage, and portable equipment insurance coverage. The coverage by BBH is limited to losses of \$1,000,000 per occurrence for general liability, auto, and inland marine and guaranteed replacement value for portable equipment.

The Stanley Rural Ambulance Service District also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The District pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of \$1,000,000 per occurrence during a 12 month period. The State Bonding Fund currently provides Stanley Rural Ambulance Service District with blanket fidelity bond coverage in the amount of \$379,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 4 – SERVICE AGREEMENT

The District entered into an annual service agreement beginning in 2015 with Ambulance Resources, LLC. Under the agreement, Ambulance Resources, LLC provides one certified Paramedic and one certified Emergency Medical Technician (EMT) or CPR driver to the District 7 days per week for 52 weeks per year. Ambulance Resources, LLC is also responsible for administrative functions of the District such as management services and record keeping. In return, the District paid \$568.56 per day for Paramedic services and \$445.50 per day for EMT services under the 2015 contract and \$650 per day for Paramedic services and \$490 per day for EMT services under the 2016 contract. A new contract has been signed for 2017.

NOTE 5 – COMMITMENTS

The District has entered into a contract for the modification of a building. The total costs to complete this project are estimated to be \$185,000, of which, approximately \$20,000 had yet to be paid as of December 31, 2016.

STANLEY RURAL AMBULANCE SERVICE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2016 AND 2015

NOTE 6 – FUTURE GASB PRONOUNCEMENTS

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016. Earlier application is encouraged.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement is effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged.

GASB Statement No. 80, *Blending Requirements for Certain Component Units and amendment of GASB Statement No. 14*, amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criteria require blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Earlier application is encouraged.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, provides recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Earlier application is encouraged.

GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67 and No. 73*, provides further guidance regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement amends GASB Statements No. 67 and No. 68 to require the presentation of covered payroll to be defined as the payroll on which contributions to a pension plan are based, rather than the payroll of employees that are provided with pensions through the pension plan. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Earlier application is encouraged.

STANLEY RURAL AMBULANCE SERVICE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2016 AND 2015

GASB Statement No. 84, *Fiduciary Activities*, provides guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

GASB Statement No. 85, *Omnibus 2017*, addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.

Management has not yet determined the effect these statements will have on the District's financial statements.

NOTE 7 – SUBSEQUENT EVENTS

Subsequent to year end, the District entered into a contract for the renovation and expansion of a building. The estimated total costs to complete the project are \$687,500.

No other significant events occurred subsequent to the District's year end. Subsequent events have been evaluated through August 15, 2017, which is the date these financial statements were available to be issued.



CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the District Board
Stanley Rural Ambulance Service District
Stanley, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the cash basis financial statements of the business-type activities of Stanley Rural Ambulance Service District, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise Stanley Rural Ambulance Service District's basic financial statements and have issued our report thereon dated August 15, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Stanley Rural Ambulance Service District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Stanley Rural Ambulance Service District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Stanley Rural Ambulance Service District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2016-001 and 2016-002 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Stanley Rural Ambulance Service District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Stanley Rural Ambulance Service District's Response to Findings

The Stanley Rural Ambulance Service District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. Stanley Rural Ambulance Service District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



BRADY, MARTZ & ASSOCIATES P. C.
Minot, North Dakota

August 15, 2017

STANLEY RURAL AMBULANCE SERVICE DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2016

Findings Related to the Financial Statements

2016-001: *Preparation of Financial Statements – Material Weakness*

Criteria

An appropriate system of internal control requires the District to determine that financial statements are properly stated in compliance with the cash basis of accounting (OCBOA). This requires the entity's personnel to maintain knowledge of current accounting principles and required financial statement disclosures.

Condition/Context

The District's auditors prepared the financial statements as of December 31, 2016 and 2015. The District does not have the controls necessary to assess whether all relevant disclosures have been included in the financial statements as required by the cash basis of accounting. The lack of appropriate disclosures may affect the user's judgement related to financial condition and the results of operations of the District.

Cause

The District has a limited number of staff available to maintain knowledge of current accounting principles and required financial statement disclosures.

Effect

An appropriate system of internal controls is not present to make a determination that financial statements and the related disclosures are fairly stated in compliance with the cash basis of accounting (OCBOA).

Recommendation

Compensating controls over financial statement disclosure requirements could be provided by the use off current disclosure checklists or the outsourcing of the financial statement preparation or review function.

Views of responsible officials and planned corrective action

Due to the small size of the District, it is not currently cost effective for the District to acquire the information necessary to prepare its own financial statements.

STANLEY RURAL AMBULANCE SERVICE DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES- CONTINUED
DECEMBER 31, DECEMBER 31, 2016

2016-002: *Segregation of Duties – Material Weakness*

Criteria

Generally, a system of internal control contemplates separation of duties that has the proper separation of duties between authorization, custody, record keeping and reconciliation.

Condition/Context

There is not a system in place for all accounting duties to be properly segregated between authorization, custody, record keeping and reconciliation.

Cause

Size and budget constraints limit the number of personnel within the accounting department.

Effect

The design of the internal control over financial reporting could adversely affect the ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Recommendation

While the District does have some monitoring controls in place, we recommend that the District review its current process to determine if the monitoring controls can be expanded and if any segregation of duties can be economically implemented.

Views of responsible officials and planned corrective action

The District does not have the resources to include another person in the accounting department. The Board will oversee as many accounting functions as possible.